

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
VINTON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Joan Sainsbury	President	2006
Kathy Tranel	Vice President	2005
Brad Allyn	Board Member	2005
Tim Bird	Board Member	2005
Todd Wiley	Board Member	2006
Gerald Horst	Board Member	2007
Pat Lyons	Board Member	2007
<u>Board of Education</u>		
(After September 2005 Election)		
Kathy Tranel	President	2008
Joan Sainsbury	Vice President	2006
Todd Wiley	Board Member	2006
Gerald Horst	Board Member	2007
Pat Lyons	Board Member	2007
David Canaday	Board Member	2008
Tim Bird	Board Member	2008
<u>School Officials</u>		
Dr. Randy Braden	Superintendent	2009
Larry Stroschein	District Secretary/Treasurer	2006
Mark Mossman	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2006 on our consideration of Vinton-Shellsburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vinton-Shellsburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
August 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Vinton-Shellsburg Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2006. This analysis will focus on the District's financial performance as a whole for the fiscal year fiscal 2006.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ General Fund revenue increased from \$13,472,528 in fiscal 2005 to \$14,043,236 in fiscal 2006 while General Fund expenditures increased from \$13,606,068 in fiscal 2005 to \$13,990,296 in fiscal 2006.
- ◆ The increase in General Fund revenues was attributable to an increase in property tax as well as federal sources and other revenue in fiscal 2006.

◆ Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finances most of these activities.
- ◆ **Business-type Activities:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

Vinton-Shellsburg Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flow. The District currently has two enterprise funds, the school nutrition program and the child care program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others. These funds include Private -purpose Trust and Agency funds.
 - ◆ **Private-Purpose Trust Fund:** The District accounts for outside donations for specific purposes in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for the year ended June 30, 2006. The districts combined net assets were higher on June 30, 2006 than they were the year before, increasing to \$7,810,174. (figure A1)

Condensed Statement of Net Assets-figure A1

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change 2005-06%
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$23,248,608	\$23,552,796	\$192,394	\$234,437	\$23,441,002	\$23,787,233	1.5%
Capital assets	\$5,982,129	\$10,285,288	\$40,309	\$35,755	\$6,022,438	\$10,321,043	71.4%
Total Assets	\$29,230,737	\$33,838,084	\$232,703	\$270,192	\$29,463,440	\$34,108,276	15.8%
Long-term liabilities	\$15,953,652	\$15,457,838			\$15,953,652	\$15,457,838	-3.1%
Other liabilities	\$7,245,699	\$10,792,676	\$40,647	\$47,588	\$7,286,346	\$10,840,264	48.8%
Total liabilities	\$23,199,351	\$26,250,514	\$40,647	\$47,588	\$23,239,998	\$26,298,102	13.2%
Net Assets							
Invested in capital assets, net of related debt	\$5,584,625	\$6,693,469	\$40,309	\$35,755	\$5,624,934	\$6,729,224	19.6%
Restricted	\$951,745	\$1,233,706			\$951,745	\$1,233,706	29.6%
Unrestricted	-\$504,984	-\$339,605	\$151,747	\$186,849	-\$353,237	-\$152,756	56.8%
TOTAL NET ASSETS	\$6,031,386	\$7,587,570	\$192,056	\$222,604	\$6,223,442	\$7,810,174	25.5%

Changes in net assets: Figure A-2 shows the changes in net assets for the year ending June 30, 2006.

Changes in Net Assets from Operating Results- figure A2

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06%
Revenues							
Program Revenues					\$ -	\$ -	
Charges for services	\$ 1,100,992	\$ 861,988	\$ 387,009	\$ 386,873	\$ 1,488,001	\$ 1,248,861	-16%
Operating Grants & Contributions	\$ 1,416,597	\$ 1,756,385	\$ 303,736	\$ 326,965	\$ 1,720,333	\$ 2,083,350	21%
Capital Grants & Contributions					\$ -	\$ -	
General Revenues					\$ -	\$ -	
Property taxes & other taxes	\$ 5,696,521	\$ 6,168,475			\$ 5,696,521	\$ 6,168,475	8%
State formula aid	\$ 7,476,097	\$ 7,780,606			\$ 7,476,097	\$ 7,780,606	4%
Other	\$ 316,974	\$ 709,052	\$ 305	\$ 2,001	\$ 317,279	\$ 711,053	124%
Total Revenues	\$ 16,007,181	\$ 17,276,506	\$ 691,050	\$ 715,839	\$ 16,698,231	\$ 17,992,345	8%
Expenses							
Instruction	\$ 9,842,462	\$ 10,012,852			\$ 9,842,462	\$ 10,012,852	2%
Pupil & Instructional Svcs	\$ 3,963,403	\$ 4,210,791			\$ 3,963,403	\$ 4,210,791	6%
Non-instructional Programs			\$ 646,737	\$ 685,291	\$ 646,737	\$ 685,291	6%
					\$ -	\$ -	
					\$ -	\$ -	
Other	\$ 1,113,966	\$ 1,496,679			\$ 1,113,966	\$ 1,496,679	34%
Total Expenses	\$ 14,919,831	\$ 15,720,322	\$ 646,737	\$ 685,291	\$ 15,566,568	\$ 16,405,613	5%
Increase (decrease) in net assets	\$ 1,087,350	\$ 1,556,184	\$ 44,313	\$ 30,548	\$ 1,131,663	\$ 1,586,732	40%

Property tax and unrestricted state grants account for 78% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$17,276,506 and expenses were \$ 15,720,322. In a very difficult budget year, the District did a remarkable job of controlling expenditures to provide additional funds for upcoming years.

The following table presents the total and net cost of the District's major governmental activities; instruction, support services and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Net Cost of Governmental Activities- figure A3

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2005	2006	2005-06%	2005	2006	2005-06%
Instruction	\$ 9,842,462	\$ 10,012,852	2%	\$7,890,253	\$7,985,687	1%
Support Services	\$ 3,963,403	\$ 4,210,791	6%	\$3,953,242	\$4,196,793	6%
Other	\$ 1,113,966	\$ 1,496,679	34%	\$558,747	\$919,469	65%
TOTAL	\$ 14,919,831	\$ 15,720,322	5%	\$ 12,402,242	\$ 13,101,949	6%

- ◆ The cost financed by users of District's programs was \$861,988.
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$1,756,385.
- ◆ The net cost of governmental activities was financed with \$6,168,475 in property and other taxes, \$7,780,606 in state foundation aid and \$709,052 in other income.

Business -Type Activities

Revenues of the District's business-type activities were \$715,839 and expenses were \$685,291. The District's business-type activities include the School Nutrition Fund, and the Child Care Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Vinton-Shellsburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$12,549,228, a decrease of \$3,377,359 from last year's ending fund balance of \$15,926,587. The primary reason for the decrease in combined fund balances in fiscal 2006 was due to spending down the proceeds from the prior year bond issue for capital projects.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, increased taxes and grants resulted in increased revenues. The increase in revenues was coupled with about the usual increase in General Fund expenditures.
- ◆ The General Fund balance increased from a deficit of \$324,715 to a deficit of \$271,775, for the 2005-2006 fiscal year. The District is working to improve the balance by increasing cash reserve levy and controlling expenditures.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$386,998 to \$662,932, for the 2005-2006 fiscal year. The increase is due to controlling expenditures to provide additional funds in upcoming years.

Proprietary Fund Highlights

The School Nutrition Fund and Preschool Daycare net assets increased slightly from \$192,056 at June 30, 2005 to \$222,604 at June 30, 2006.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for individual major funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$1,398,292 greater than the total budgeted receipts, a variance of 8 percent. The most significant change resulted in the District receiving more receipts from local sources than originally budgeted.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal year but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2006, the District had invested \$10.31 million, net of accumulated depreciation of \$5.88 million, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$270,099.

Governmental Funds account for \$10.28 million with the remainder of \$.03 million in the School Nutrition Fund, net of accumulated depreciation amounts of \$5.78 million and \$.10 million, respectively.

Figure A-4
Capital Assets, Net of Depreciation

Capital Assets (net of depreciation)- figure A4

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-06%
Land	\$ 135,815	\$ 135,815			\$ 135,815	\$ 135,815	0%
Construction in progress	\$ 608,539	\$ 5,162,379			\$ 608,539	\$ 5,162,379	748%
Improvements	\$ 314,499	\$ 298,963			\$ 314,499	\$ 298,963	-5%
Buildings	\$ 4,560,613	\$ 4,403,311			\$ 4,560,613	\$ 4,403,311	-3%
Equipment & Furniture	\$ 362,663	\$ 284,820	\$ 40,309	\$ 35,755	\$ 402,972	\$ 320,575	-20%
TOTAL	\$ 5,982,129	\$ 10,285,288	\$ 40,309	\$ 35,755	\$ 6,022,438	\$ 10,321,043	71%

Long-Term Liabilities

On June 30, 2006, the District had \$15,200,000 bonded indebtedness, \$155,000 of capital loan notes outstanding and \$102,838 in early retirement liabilities. See figure A-5 for more detail on long-term obligations. Further details on the District's long-term liabilities are available in the notes to the basic financial statements.

Figure A-5
Total School District

	2006	2005	Change	
Early Retirement	102,838	28,652	+74,186	
Lease purchases	0	0	0	
Real estate contract	0	0	0	
General obligation bonds	15,200,000	15,625,000	-425,000	
Capital loan notes	155,000	300,000	-145,000	
Totals	15,457,838	15,953,652	-495,814	

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ State payments remain a concern. As long as the state financial picture remains uncertain, future state cuts cannot be ruled out.
- ◆ The district voters authorized a one-cent school infrastructure local option tax in February 2004. Tax collection began in July 2004. The receipts from the one-cent school infrastructure local option tax will be used to repay the general obligation bonds and interest.
- ◆ The district voters authorized the issuance of 15.1 million dollars in general obligation bonds to pay for the construction of a new high school building, and the remodeling of the Tilford and Shellsburg buildings in October 2004. Construction began in the 2004-05 year and will continue for the next year plus.
- ◆ The District will negotiate a new labor contract in 2006 with its employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Stroschein, Business Manager, Vinton-Shellsburg Community School District, 810 West 9th Street, Vinton, Iowa 52349.

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Basic Financial Statements

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 14,385,269	\$ 222,644	\$ 14,607,913
Receivables:			
Property tax:			
Current year	88,429	-	88,429
Succeeding year	4,203,000	-	4,203,000
Income surtax	315,073	-	315,073
Accrued interest	45,241	191	45,432
Accounts	643	200	843
Due from other governments	819,292	-	819,292
Inventories	-	11,402	11,402
Restricted ISCAP assets (note 4):			
Investments	3,666,777	-	3,666,777
Accrued interest receivable	29,072	-	29,072
Capital assets, net of accumulated depreciation (note 5)	10,285,288	35,755	10,321,043
Total assets	33,838,084	270,192	34,108,276
Liabilities			
Accounts payable	1,159,583	79	1,159,662
Salaries and benefits payable	1,607,480	42,221	1,649,701
Accrued interest payable	104,181	-	104,181
ISCAP warrants payable (note 4)	3,665,000	-	3,665,000
ISCAP accrued interest payable (note 4)	27,463	-	27,463
ISCAP unamortized premium (note 4)	25,969	-	25,969
Deferred revenue:			
Succeeding year property tax	4,203,000	-	4,203,000
Other	-	5,288	5,288
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	102,838	-	102,838
Bonds payable	545,000	-	545,000
Notes payable	155,000	-	155,000
Portion due after one year:			
Bonds payable	14,655,000	-	14,655,000
Total liabilities	26,250,514	47,588	26,298,102

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 6,693,469	\$ 35,755	\$ 6,729,224
Restricted for:			
Management levy	49,487	-	49,487
Physical plant and equipment levy	978,005	-	978,005
Other special revenue purposes	206,214	-	206,214
Unrestricted	(339,605)	186,849	(152,756)
Total net assets	\$ 7,587,570	\$ 222,604	\$ 7,810,174

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 6,589,896	\$ 246,575	\$ 969,403
Special instruction	2,149,423	208,222	195,774
Other instruction	1,273,533	407,191	-
	<u>10,012,852</u>	<u>861,988</u>	<u>1,165,177</u>
Support services:			
Student services	479,765	-	8,648
Instructional staff services	617,870	-	-
Administration services	1,370,228	-	-
Operation and maintenance of plant services	1,125,229	-	-
Transportation services	617,669	-	5,350
	<u>4,210,761</u>	<u>-</u>	<u>13,998</u>
Other expenditures:			
Facilities acquisition	91,989	-	-
Long-term debt interest and fiscal charges	650,318	-	-
AEA flowthrough	577,210	-	577,210
Depreciation (unallocated) *	177,162	-	-
	<u>1,496,679</u>	<u>-</u>	<u>577,210</u>
Total governmental activities	15,720,292	861,988	1,756,385
Business-Type Activities:			
Non-instructional programs:			
Food service operations	673,045	371,403	326,965
Daycare operations	12,246	15,470	-
	<u>685,291</u>	<u>386,873</u>	<u>326,965</u>
Total	\$ 16,405,583	\$ 1,248,861	\$ 2,083,350

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (5,373,918)	\$ -	\$ (5,373,918)
(1,745,427)	-	(1,745,427)
(866,342)	-	(866,342)
(7,985,687)	-	(7,985,687)
(471,117)	-	(471,117)
(617,870)	-	(617,870)
(1,370,228)	-	(1,370,228)
(1,125,229)	-	(1,125,229)
(612,319)	-	(612,319)
(4,196,763)	-	(4,196,763)
(91,989)	-	(91,989)
(650,318)	-	(650,318)
-	-	-
(177,162)	-	(177,162)
(919,469)	-	(919,469)
(13,101,919)	-	(13,101,919)
-	25,323	25,323
-	3,224	3,224
-	28,547	28,547
(13,101,919)	28,547	(13,073,372)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 4,144,523	\$ -	\$ 4,144,523
493,839	-	493,839
259,434	-	259,434
341,401	-	341,401
929,278	-	929,278
7,780,606	-	7,780,606
643,804	2,001	645,805
65,248	-	65,248
14,658,133	2,001	14,660,134
1,556,214	30,548	1,586,762
6,031,386	192,056	6,223,442
<u>\$ 7,587,600</u>	<u>\$ 222,604</u>	<u>\$ 7,810,204</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 1,262,660	\$ 12,067,275	\$ 1,055,334	\$ 14,385,269
Receivables:				
Property tax:				
Current year	70,930	-	17,499	88,429
Succeeding year	3,423,000	-	780,000	4,203,000
Income surtax	-	-	315,073	315,073
Accrued interest	3,863	36,877	4,501	45,241
Accounts	643	-	-	643
Due from other governments	305,289	514,003	-	819,292
Restricted ISCAP assets (note 4):				
Investments	3,666,777	-	-	3,666,777
Accrued interest receivable	29,072	-	-	29,072
Total assets	<u>\$ 8,762,234</u>	<u>\$ 12,618,155</u>	<u>\$ 2,172,407</u>	<u>\$ 23,552,796</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 285,097	\$ 854,974	\$ 19,512	\$ 1,159,583
Salaries and benefits payable	1,607,480	-	-	1,607,480
ISCAP warrants payable (note 4)	3,665,000	-	-	3,665,000
ISCAP accrued interest payable (note 4)	27,463	-	-	27,463
ISCAP unamortized premium	25,969	-	-	25,969
Deferred revenue:				
Succeeding year property tax	3,423,000	-	780,000	4,203,000
Other	-	-	315,073	315,073
Total liabilities	<u>9,034,009</u>	<u>854,974</u>	<u>1,114,585</u>	<u>11,003,568</u>
Fund balance:				
Reserved for:				
Debt service	-	-	36,351	36,351
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	1,021,471	1,021,471
Undesignated	(271,775)	11,763,181	-	11,491,406
Total fund balances	<u>(271,775)</u>	<u>11,763,181</u>	<u>1,057,822</u>	<u>12,549,228</u>
Total liabilities and fund balances	<u>\$ 8,762,234</u>	<u>\$ 12,618,155</u>	<u>\$ 2,172,407</u>	<u>\$ 23,552,796</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2006

Total fund balances of governmental funds	\$ 12,549,228
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,285,288
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	315,073
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(104,181)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(15,457,838)</u>
Net assets of governmental activities	<u>\$ 7,587,570</u>
See notes to financial statements.	

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,914,734	\$ 929,278	\$ 1,292,267	\$ 6,136,279
Tuition	393,121	-	-	393,121
Other	194,038	541,445	443,691	1,179,174
State sources	8,990,692	-	1,029	8,991,721
Federal sources	550,651	-	-	550,651
Total revenues	14,043,236	1,470,723	1,736,987	17,250,946
Expenditures:				
Current:				
Instruction:				
Regular instruction	6,388,887	-	121,687	6,510,574
Special instruction	2,149,423	-	-	2,149,423
Other instruction	895,132	-	378,401	1,273,533
	9,433,442	-	500,088	9,933,530
Support services:				
Student services	479,765	-	-	479,765
Instructional staff services	617,870	-	-	617,870
Administration services	1,370,228	-	-	1,370,228
Operation and maintenance of plant services	1,038,975	-	83,858	1,122,833
Transportation services	472,806	-	74,582	547,388
	3,979,644	-	158,440	4,138,084
Other expenditures:				
Facilities acquisition	-	4,551,130	99,023	4,650,153
Long term debt:				
Principal	-	-	570,000	570,000
Interest and fiscal charges	-	-	759,328	759,328
AEA flowthrough	577,210	-	-	577,210
	577,210	4,551,130	1,428,351	6,556,691
Total expenditures	13,990,296	4,551,130	2,086,879	20,628,305
Excess (deficiency) of revenues over (under) expenditures	52,940	(3,080,407)	(349,892)	(3,377,359)

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in (note 3)	\$ -	\$ -	\$ 838,818	\$ 838,818
Interfund transfers out (note 3)	-	(683,908)	(154,910)	(838,818)
Total other financing sources (uses)	-	(683,908)	683,908	-
Net change in fund balances	52,940	(3,764,315)	334,016	(3,377,359)
Fund balances beginning of year	(324,715)	15,527,496	723,806	15,926,587
Fund balances end of year	\$ (271,775)	\$ 11,763,181	\$ 1,057,822	\$ 12,549,228

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (3,377,359)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 4,566,730	
Depreciation expense	<u>(263,571)</u>	4,303,159

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities.	25,560
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	570,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	109,010
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(74,186)</u>
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Change in net assets of governmental activities	<u><u>\$ 1,556,184</u></u>
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See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
June 30, 2006

	School Nutrition	Non-Major Enterprise Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 208,171	\$ 14,473	\$ 222,644
Receivables:			
Accounts	-	200	200
Accrued interest	191	-	191
Inventories	11,402	-	11,402
Capital assets, net of accumulated depreciation	35,755	-	35,755
Total assets	<u>255,519</u>	<u>14,673</u>	<u>270,192</u>
<u>Liabilities</u>			
Accounts payable	79	-	79
Salaries and benefits payable	42,221	-	42,221
Deferred revenue:			
Other	5,288	-	5,288
Total liabilities	<u>47,588</u>	<u>-</u>	<u>47,588</u>
<u>Net Assets</u>			
Invested in capital assets	35,755	-	35,755
Unrestricted	172,176	14,673	186,849
Total net assets	<u>\$ 207,931</u>	<u>\$ 14,673</u>	<u>\$ 222,604</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 ENTERPRISE FUNDS
 Year Ended June 30, 2006

	School Nutrition	Non-Major Enterprise Fund	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 371,403	\$ 15,470	\$ 386,873
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	232,009	10,662	242,671
Benefits	102,400	1,347	103,747
Purchased services	8,910	-	8,910
Supplies	323,198	237	323,435
Depreciation	6,528	-	6,528
	<u>673,045</u>	<u>12,246</u>	<u>685,291</u>
Operating loss	<u>(301,642)</u>	<u>3,224</u>	<u>(298,418)</u>
Non-operating revenues:			
Interest on investments	1,595	406	2,001
State sources	9,442	-	9,442
Federal sources	317,523	-	317,523
Total non-operating revenues	<u>328,560</u>	<u>406</u>	<u>328,966</u>
Change in net assets	26,918	3,630	30,548
Net assets beginning of year	<u>181,013</u>	<u>11,043</u>	<u>192,056</u>
Net assets end of year	<u>\$ 207,931</u>	<u>\$ 14,673</u>	<u>\$ 222,604</u>

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2006

	School Nutrition	Non-Major Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 361,977	\$ -	\$ 361,977
Cash received from miscellaneous operating activities	9,020	15,650	24,670
Cash payments to employees for services	(327,141)	(12,009)	(339,150)
Cash payments to suppliers for goods or services	(296,828)	(237)	(297,065)
Net cash provided by (used in) operating activities	<u>(252,972)</u>	<u>3,404</u>	<u>(249,568)</u>
Cash flows from non-capital financing activities:			
State grants received	9,442	-	9,442
Federal grants received	283,925	-	283,925
Net cash provided by non-capital financing activities	<u>293,367</u>	<u>-</u>	<u>293,367</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,974)</u>	<u>-</u>	<u>(1,974)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,404</u>	<u>406</u>	<u>1,810</u>
Net increase in cash and cash equivalents	39,825	3,810	43,635
Cash and cash equivalents beginning of year	<u>168,346</u>	<u>10,663</u>	<u>179,009</u>
Cash and cash equivalents end of year	<u>\$ 208,171</u>	<u>\$ 14,473</u>	<u>\$ 222,644</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended June 30, 2006

	School Nutrition	Non-Major Enterprise Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (301,642)	\$ 3,224	\$ (298,418)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			0
Depreciation	6,528	-	6,528
Commodities used	33,598	-	33,598
Decrease (increase) in accounts receivable	-	180	180
Decrease in inventories	1,603	-	1,603
Increase in accounts payable	79	-	79
Increase in salaries and benefits payable	7,268	-	7,268
(Decrease) in deferred revenues	(406)	-	(406)
Net cash provided by (used in) operating activities	\$ <u>(252,972)</u>	\$ <u>3,404</u>	\$ <u>(249,568)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$33,598 of federal commodities.

See notes to financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2006

		Private Purpose Trust
		<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$	<u>115,466</u>
Liabilities:		
Accounts payable		<u>546</u>
Net assets:		
Reserved for scholarships	\$	<u><u>114,920</u></u>
See notes to financial statements.		

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>206,097</u>
Deductions:	
Instruction:	
Supplies	<u>131,596</u>
Change in net assets	74,501
Net assets beginning of year	<u>40,419</u>
Net assets end of year	\$ <u><u>114,920</u></u>
See notes to financial statements.	

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

Vinton-Shellsburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Vinton and Shellsburg, Iowa, and agricultural territory in Benton, Blackhawk, and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Vinton-Shellsburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Vinton-Shellsburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unearned meal revenues.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and personal days during the fiscal year. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The District has no compensated absences liability at June 30, 2006.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functional areas.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>13,103,930</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 683,908
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>154,910</u>
Total		<u>\$ 838,818</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2005-06B	1/26/2006	1/26/2007	\$ 1,412,914	\$ 28,371	\$ 1,408,000	\$ 27,280	\$ 8,793
2006-07A	6/28/2006	6/28/2007	2,253,863	701	2,257,000	183	17,176
Total			<u>\$ 3,666,777</u>	<u>\$ 29,072</u>	<u>\$ 3,665,000</u>	<u>\$ 27,463</u>	<u>\$ 25,969</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06A	\$ -	\$ 800,000	\$ 800,000	\$ -
2005-06B	-	250,000	250,000	-
Total	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>	<u>\$ -</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 135,815	\$ -	\$ -	\$ 135,815
Construction in progress	608,539	4,553,840	-	5,162,379
Total capital assets not being depreciated	<u>744,354</u>	<u>4,553,840</u>	<u>-</u>	<u>5,298,194</u>
Capital assets being depreciated:				
Buildings	8,969,947	-	-	8,969,947
Improvements other than buildings	663,051	4,324	-	667,375
Furniture and equipment	1,179,622	8,566	57,548	1,130,640
Total capital assets being depreciated	<u>10,812,620</u>	<u>12,890</u>	<u>57,548</u>	<u>10,767,962</u>
Less accumulated depreciation for:				
Buildings	4,409,334	157,302	-	4,566,636
Improvements other than buildings	348,552	19,860	-	368,412
Furniture and equipment	816,959	86,409	57,548	845,820
Total accumulated depreciation	<u>5,574,845</u>	<u>263,571</u>	<u>57,548</u>	<u>5,780,868</u>
Total capital assets being depreciated, net	<u>5,237,775</u>	<u>(250,681)</u>	<u>-</u>	<u>4,987,094</u>
Governmental activities capital assets, net	<u>\$ 5,982,129</u>	<u>\$ 4,303,159</u>	<u>\$ -</u>	<u>\$ 10,285,288</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 137,229	\$ 1,974	\$ 2,934	\$ 136,269
Less accumulated depreciation	96,920	6,528	2,934	100,514
Business-type activities capital assets, net	<u>\$ 40,309</u>	<u>\$ (4,554)</u>	<u>\$ -</u>	<u>\$ 35,755</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 5,136

Support services:

Operation and maintenance of plant services

10,962

Transportation

70,311

86,409

Unallocated depreciation

177,162

Total governmental activities depreciation expense

\$ 263,571

Business-type activities:

Food service operations

\$ 6,528

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Early Retirement	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ 28,652	\$ 15,625,000	\$ 300,000	\$ 15,953,652
Additions	102,838	-	-	102,838
Reductions	28,652	425,000	145,000	598,652
Balance end of year	<u>\$ 102,838</u>	<u>\$ 15,200,000</u>	<u>\$ 155,000</u>	<u>\$ 15,457,838</u>
Due within one year	<u>\$ 102,838</u>	<u>\$ 545,000</u>	<u>\$ 155,000</u>	<u>\$ 802,838</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of service as a full time employee of the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 40% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The employee may also continue participation in the District's group health insurance, at the employee's own cost. Early retirement benefits paid during the year ended June 30, 2006, totaled \$28,652. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated April 1, 1998			Issue Dated December 1, 2004		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2007	4.50 %	\$ 160,000	\$ 16,875	3.75 %	\$ 225,000	\$ 236,743
2008	4.50	165,000	9,675	3.75	235,000	228,305
2009	4.50	50,000	2,250	3.75	245,000	219,492
2010	-	-	-	4.00	255,000	210,305
2011	-	-	-	4.00	265,000	200,105
2012	-	-	-	4.00	275,000	189,505
2013	-	-	-	4.25	290,000	178,505
2014	-	-	-	4.25	300,000	166,180
2015	-	-	-	3.65	315,000	153,430
2016	-	-	-	3.75	325,000	141,933
2017	-	-	-	3.85	340,000	129,745
2018	-	-	-	3.95	355,000	116,655
2019	-	-	-	4.05	365,000	102,632
2020	-	-	-	4.10	385,000	87,850
2021	-	-	-	4.15	400,000	72,065
2022	-	-	-	4.20	420,000	55,465
2023	-	-	-	4.25	435,000	37,825
2024	-	-	-	4.25	455,000	19,338
2025	-	-	-	-	-	-
		<u>\$ 375,000</u>	<u>\$ 28,800</u>		<u>\$ 5,885,000</u>	<u>\$ 2,546,078</u>

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue Dated May 1, 2005			Total	
	Interest Rate	Principal	Interest	Principal	Interest
2007	4.250 %	\$ 160,000	\$ 377,270	\$ 545,000	\$ 630,888
2008	4.250	170,000	370,470	570,000	608,450
2009	4.250	300,000	363,246	595,000	584,988
2010	4.250	355,000	350,496	610,000	560,801
2011	4.250	370,000	335,408	635,000	535,513
2012	4.250	385,000	319,682	660,000	509,187
2013	4.250	400,000	303,320	690,000	481,825
2014	4.250	420,000	286,320	720,000	452,500
2015	4.250	435,000	268,470	750,000	421,900
2016	4.250	450,000	249,982	775,000	391,915
2017	4.000	470,000	230,858	810,000	360,603
2018	4.000	490,000	212,058	845,000	328,713
2019	4.000	510,000	192,458	875,000	295,090
2020	4.100	530,000	172,058	915,000	259,908
2021	4.150	555,000	150,328	955,000	222,393
2022	4.250	575,000	127,296	995,000	182,761
2023	4.300	605,000	102,858	1,040,000	140,683
2024	4.350	630,000	76,842	1,085,000	96,180
2025	4.375	1,130,000	49,438	1,130,000	49,438
		<u>\$ 8,940,000</u>	<u>\$ 4,538,858</u>	<u>15,200,000</u>	<u>\$ 7,113,736</u>

During the year ended June 30, 2006, the District retired \$425,000 of bonds.

Capital Loan Notes Payable

Details of the District's June 30, 2006, capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	3.40 %	<u>\$ 155,000</u>	<u>\$ 5,270</u>	<u>\$ 160,270</u>

During the year ended June 30, 2006, the District retired \$145,000 of capital loan notes.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$570,645, \$558,885, and \$535,847 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Vinton-Shellsburg Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection for the District's dental program.

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$10,225.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Vinton-Shellsburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$577,210 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$13,834,741 for a new high school and other improvements. As of June 30, 2006, costs of \$4,686,623 had been incurred against the contracts. The balance of \$9,148,118 remaining at June 30, 2006 will be paid as work on the project progresses.

Note 11. Contingencies

The District is involved in an ongoing lawsuit alleging improper termination of an employee. The District's insurance carrier is affording coverage and the outcome of the case cannot be determined at this time.

Note 12. Financial Condition

The District had an unrestricted net asset deficit of \$339,605 and an unreserved, undesignated major fund, General Fund deficit balance of \$271,775 at June 30, 2006.

Required Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
Budget and Actual (14-Month GAAP Conversion Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 8,454,606	\$ 383,560	\$ 8,838,166	\$ 7,832,149	\$ 7,832,149	\$ 1,006,017
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	9,005,259	9,442	9,014,701	9,002,402	9,002,402	12,299
Federal sources	612,453	317,523	929,976	545,000	545,000	384,976
Total receipts	18,072,318	710,525	18,782,843	17,384,551	17,384,551	1,398,292
DISBURSEMENTS:						
Instruction	11,396,817	-	11,396,817	10,202,287	12,202,287	805,470
Support services	4,265,326	-	4,265,326	3,729,172	4,729,172	463,846
Non-instructional programs	-	666,930	666,930	642,000	792,000	125,070
Other expenditures	6,688,670	-	6,688,670	8,829,416	8,829,416	2,140,746
Total disbursements	22,350,813	666,930	23,017,743	23,402,875	26,552,875	3,535,132
Excess (deficiency) of receipts over (under) disbursements	(4,278,495)	43,595	(4,234,900)	(6,018,324)	(9,168,324)	4,933,424
Balance beginning of year	16,827,723	179,009	17,006,732	16,163,847	16,163,847	842,885
Balance end of year	\$ <u>12,549,228</u>	\$ <u>222,604</u>	\$ <u>12,771,832</u>	\$ <u>10,145,523</u>	\$ <u>6,995,523</u>	\$ <u>5,776,309</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2006

Governmental Funds			
	Accrual Basis	Accrual Adjust-ments	14-Month GAAP Conversion Basis
Revenues	\$ 17,250,946	\$ 821,372	\$ 18,072,318
Expenditures	20,628,305	1,722,508	22,350,813
Net	(3,377,359)	(901,136)	(4,278,495)
Beginning fund balances	15,926,587	901,136	16,827,723
Ending fund balances	<u>\$ 12,549,228</u>	<u>\$ -</u>	<u>\$ 12,549,228</u>
Proprietary Fund			
Enterprise			
	Accrual Basis	Accrual Adjust-ments	14-Month GAAP Conversion Basis
Revenues	\$ 715,839	\$ (5,314)	\$ 710,525
Expenses	685,291	(18,361)	666,930
Net	30,548	13,047	43,595
Beginning net assets	192,056	13,047	179,009
Ending net assets	<u>\$ 222,604</u>	<u>\$ -</u>	<u>\$ 222,604</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District converted to an accrual basis budget during the year ended June 30, 2006. Encumbrances are not recognized on the accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,150,000.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functional areas.

Other Supplementary Information

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 148,240	\$ 221,913	\$ 657,624	\$ 27,557	\$ 1,055,334
Receivables:					
Property tax:					
Current year	4,085	-	4,620	8,794	17,499
Succeeding year	235,000	-	205,000	340,000	780,000
Income surtax	-	-	315,073	-	315,073
Accrued interest	-	577	3,924	-	4,501
Total assets	\$ <u>387,325</u>	\$ <u>222,490</u>	\$ <u>1,186,241</u>	\$ <u>376,351</u>	\$ <u>2,172,407</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 16,276	\$ 3,236	\$ -	\$ 19,512
Deferred revenue:					
Succeeding year property tax	235,000	-	205,000	340,000	780,000
Other	-	-	315,073	-	315,073
Total liabilities	<u>235,000</u>	<u>16,276</u>	<u>523,309</u>	<u>340,000</u>	<u>1,114,585</u>
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	36,351	36,351
Unreserved:					
Undesignated	152,325	206,214	662,932	-	1,021,471
Total fund equity	<u>152,325</u>	<u>206,214</u>	<u>662,932</u>	<u>36,351</u>	<u>1,057,822</u>
Total liabilities and fund equity	\$ <u>387,325</u>	\$ <u>222,490</u>	\$ <u>1,186,241</u>	\$ <u>376,351</u>	\$ <u>2,172,407</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 225,451	\$ -	\$ 575,002	\$ 491,814	\$ 1,292,267
Other	10,591	411,476	20,019	1,605	443,691
State sources	236	-	273	520	1,029
Total revenues	236,278	411,476	595,294	493,939	1,736,987
Expenditures:					
Current:					
Instruction:					
Regular instruction	121,687	-	-	-	121,687
Other instruction	-	378,401	-	-	378,401
Support services:					
Operation and maintenance of plant services	72,508	-	11,350	-	83,858
Transportation services	20,505	-	54,077	-	74,582
Other expenditures:					
Facilities acquisition	-	-	99,023	-	99,023
Long term debt:					
Principal	-	-	-	570,000	570,000
Interest and fiscal charges	-	-	-	759,328	759,328
Total expenditures	214,700	378,401	164,450	1,329,328	2,086,879
Excess (deficiency) of revenues over (under) expenditures	21,578	33,075	430,844	(835,389)	(349,892)
Other financing sources (uses):					
Interfund transfers in	-	-	-	838,818	838,818
Interfund transfers out	-	-	(154,910)	-	(154,910)
Total other financing sources (uses)	-	-	(154,910)	838,818	683,908

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	<u>Special Revenue</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 21,578	\$ 33,075	\$ 275,934	\$ 3,429	\$ 334,016
Fund balances beginning of year	<u>130,747</u>	<u>173,139</u>	<u>386,998</u>	<u>32,922</u>	<u>723,806</u>
Fund balances end of year	<u>\$ 152,325</u>	<u>\$ 206,214</u>	<u>\$ 662,932</u>	<u>\$ 36,351</u>	<u>\$ 1,057,822</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Life Skills - Sp Ed	\$ 1,466	\$ -	\$ -	1,466
General Athletics	5,037	36,423	36,477	4,983
Activity Bus	337	-	-	337
Health	3,306	1,125	156	4,275
Interest	12,753	4,285	96	16,942
Shellsburg Yearbook	936	2,084	1,275	1,745
Shellsburg Activities	2,628	3,493	2,920	3,201
Shellsburg St Council	3,521	2,371	1,881	4,011
Shellsburg Picture	2,721	376	100	2,997
Shellsburg Keyboard	652	-	-	652
Coach Boys Basketball	1,895	3,810	4,152	1,553
Coach Boys Football	4,730	13,596	7,332	10,994
Coach Boys Baseball	3,258	16,576	17,209	2,625
Coach Boys Golf	-	250	-	250
Coach Boys Wrestling	163	3,975	3,439	699
Coach Girls Basketball	2,285	1,425	1,658	2,052
Coach Girls Volleyball	1,661	2,020	1,729	1,952
Coach Girls Softball	1,440	5,100	2,854	3,686
Coach Track	10	-	-	10
Coach Girls Golf	675	1,365	209	1,831
Fine Arts Sponsors	14	-	5	9
Coach Speech	74	-	-	74
Act Tickets - Elem	200	-	-	200
Invention Convention	330	-	-	330
Lunch - Elem	784	17,081	17,354	511
Activity Guidance	43	-	-	43
Linc - Thirsty Thursday	3,619	1,810	3,004	2,425
Student Productions	2,622	1,143	619	3,146
Student Pictures	657	172	-	829
Special Project - Jump for Heart	811	-	66	745
West Activities	2,425	755	1,201	1,979
West Student Pictures	2,044	408	-	2,452
West Special Projects	6	-	6	-
Special Olympics	(322)	2,408	2,022	64
Tilford Yearbook	1,373	2,774	3,081	1,066
Band JH	5,176	3,754	2,588	6,342
Magazines Sales	7,982	33,790	30,529	11,243
Tilford Concession	783	-	-	783
Tilford Activities	7,461	11,162	11,342	7,281
MS Act Tickets	200	-	-	200
FHA	37	-	-	37

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
MS Health Account	\$ -	\$ 1,800	\$ 112	\$ 1,688
MS Student Council	690	2,993	2,542	1,141
MS Student Pictures	1,244	1,068	-	2,312
MS Act Lunch	161	8,725	8,452	434
Special Ed Activities	58	597	195	460
Boys Basketball	1,398	9,881	7,522	3,757
Boys Football	1,589	20,295	32,031	(10,147)
Boys Baseball	3,412	12,130	10,081	5,461
Boys Track	1,501	4,871	4,704	1,668
Boys Cross Country	377	886	623	640
Boys Golf	347	331	1,230	(552)
Boys Swimming	597	775	672	700
Boys Wrestling	837	8,157	7,160	1,834
Girls Basketball	1,172	6,527	6,334	1,365
Girls Volleyball	629	9,789	8,732	1,686
Girls Softball	1,236	7,354	7,018	1,572
Girls Track	901	5,690	4,801	1,790
Girls Cross Country	170	841	513	498
Girls Golf	99	800	1,582	(683)
Girls Swimming	611	2,058	2,024	645
Act Sales HS	160	-	-	160
Annual Yearbook	9,157	3,948	2,937	10,168
Band HS	2,203	3,831	3,066	2,968
Band Trip HS	1,347	6,736	4,398	3,685
Class of 2004	-	-	-	-
Class of 2005	76	140	252	(36)
Class of 2006	4,261	1,648	5,416	493
Class of 2007	14	12,632	8,035	4,611
Class of 2008	2,261	-	-	2,261
Class of 2010	(7)	-	-	(7)
Class of 2011	(252)	-	-	(252)
Weight Room	905	2,780	2,487	1,198
Student Council Activities	27,230	31,599	21,292	37,537
Vending Machine	3,227	371	47	3,551
Drill Team	178	8,435	7,220	1,393
HS Act Tickets	97	-	-	97
FFA	1,950	31,623	31,955	1,618
FHA	268	-	-	268
HS Home Ec	25	-	-	25
Ambassador club	394	-	-	394
National Honor Society	1,907	2,145	1,839	2,213

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bus Professional Club	\$ 265	\$ -	\$ -	\$ 265
Science Club	130	-	34	96
HS Student Senate	2,631	3,322	3,371	2,582
HS Student Pictures	2,309	476	280	2,505
SADD	661	177	571	267
Theatre	2,214	3,174	3,496	1,892
Recycling Club	101	-	-	101
Vocal	2	-	-	2
Contest Speech	2,430	882	3,057	255
HS Act Lunch	546	13,744	13,999	291
HS Activities	702	-	-	702
Amateur Radio	1,381	-	-	1,381
Cheerleaders	1,544	4,714	5,017	1,241
Total	\$ 173,139	\$ 411,476	\$ 378,401	\$ 206,214

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 6,136,279	\$ 5,675,042	\$ 4,661,728	\$ 4,543,470
Tuition	393,121	545,115	434,440	228,571
Other	1,179,174	862,442	568,716	578,049
Intermediate sources	-	-	-	68,727
State sources	8,991,721	8,567,943	8,120,912	8,146,142
Federal sources	550,651	329,771	327,334	531,530
Total revenues	<u>\$ 17,250,946</u>	<u>\$ 15,980,313</u>	<u>\$ 14,113,130</u>	<u>\$ 14,096,489</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 6,510,574	\$ 6,417,978	\$ 6,279,985	\$ 6,057,463
Special instruction	2,149,423	2,297,663	2,069,556	2,040,480
Other instruction	1,273,533	1,150,103	1,020,963	994,701
Support services:				
Student services	479,765	498,943	502,491	479,786
Instructional staff services	617,870	626,718	637,850	591,253
Administration services	1,370,228	1,282,431	1,197,121	1,120,435
Operation and maintenance of plant services	1,122,833	999,074	971,308	911,554
Transportation services	547,388	479,282	458,339	407,051
Central and other support services	-	-	-	101,622
Other expenditures:				
Facilities acquisition	4,650,153	779,725	492,331	857,831
Long-term debt:				
Principal	570,000	349,192	275,000	260,000
Interest and fiscal charges	759,328	44,840	54,238	72,935
AEA flowthrough	577,210	555,219	544,014	571,054
Total expenditures	<u>\$ 20,628,305</u>	<u>\$ 15,481,168</u>	<u>\$ 14,503,196</u>	<u>\$ 14,466,165</u>

See accompanying independent auditor's report.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 06	\$ 33,598
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 06	53,215
National School Lunch Program	10.555	FY 06	230,385
Special Milk Program for Children	10.556	FY 06	325
			<u>283,925</u>
			<u>317,523</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	6660-G-06	<u>195,774</u>
Grants for State Assessments and Related Activities	84.369	FY 06	<u>10,884</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>78,036</u>
State Grants for Innovative Programs	84.298	FY 05	2,787
State Grants for Innovative Programs	84.298	FY 06	6,145
			<u>8,932</u>
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 05	2,687
Safe and Drug-Free Schools and Communities			
- State Grants	84.186	FY 06	8,898
			<u>11,585</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 06	102,102
			<u>407,313</u>
Total			\$ <u>724,836</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Vinton-Shellsburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Vinton-Shellsburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Vinton-Shellsburg Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vinton-Shellsburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Vinton-Shellsburg Community School District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Vinton-Shellsburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
August 30, 2006

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Vinton-Shellsburg Community School District:

Compliance

We have audited the compliance of Vinton-Shellsburg Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Vinton-Shellsburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Vinton-Shellsburg Community School District's management. Our responsibility is to express an opinion on Vinton-Shellsburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vinton-Shellsburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Vinton-Shellsburg Community School District's compliance with those requirements.

In our opinion, Vinton-Shellsburg Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Vinton-Shellsburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Vinton-Shellsburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Vinton-Shellsburg Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Vinton-Shellsburg Community School District and other parties to whom Vinton-Shellsburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
August 30, 2006

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Vinton-Shellsburg Community School District qualified as a low-risk auditee.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-06 Financial Condition – The District’s governmental activities had a deficit unrestricted net assets balance of \$339,605, and the major fund, General Fund had an unreserved, undesignated balance of \$271,775.

Recommendation – The District should analyze the overall governmental and fund activities and search for ways to eliminate these deficits.

Response – We are working on this program and have reduced the deficits from the prior year. We will continue in our efforts.

Conclusion – Response accepted.

- II-B-06 Disbursement Support – We noted one disbursement out of forty tested that had no supporting invoice or supporting receipts.

Recommendation – The District should take corrective action to insure that all disbursements made are fully and adequately supported with invoices, supporting receipts or other applicable documentation.

Response – We will address this problem and will require full supporting documentation for all future disbursements.

Conclusion – Response accepted.

- II-C-06 Fundraiser Reconciliation – We noted no evidence of any independent review of Student Activity Fund fundraisers.

Recommendation – The district should adopt and enforce guidelines on the preparation and review of reconciliations for all fundraisers handled through the Student Activity Fund. These guidelines should include an independent review to determine the reasonableness of collections compared to payments made and profit margins.

Response – We will review fundraiser procedures and implement any necessary changes.

Conclusion – Response accepted.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

VINTON-SHELLSBURG COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Expenditures for the year ended June 30, 2006, did not exceed the amount budgeted in any of the four functional areas.

IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. However, we noted that the District purchased and paid for a new bus in February, 2006, but did not take possession of the bus until July, 2006.

Recommendation – The District should take immediate possession of any asset purchased for insurance purposes and to insure accurate financial statement presentation.

Response – We received a better deal for the bus by handling the transaction in this manner. We will avoid such situations in the future.

Conclusion – Response accepted.

IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.

IV-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-06 Federal Grant Expenditures – We noted that expenditures of Federal grants are sometimes given local or state general ledger account codings.

Recommendation – All Federal source grant expenditures should be given a Federal code to enable the District to properly track all Federal grant expenditures and match these to the related Federal revenues.

Response – We will make the proper changes to Federal expenditure coding as required.

Conclusion – Response accepted.

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